



COVERSHEET

Minister	Hon David Parker	Portfolio	Economic Development Trade and Export Growth
Title of Cabinet paper	Report on the Operation of the FernMark Licence Programme	Date to be published	21 October 2019

List of documents that have been proactively released

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Information redacted

NO

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In Confidence

Office of the Minister for Economic Development
Office of the Minister for Trade and Export Growth

Chair
Cabinet Economic Development Committee

REPORT ON THE OPERATION OF THE FERNMARK LICENCE PROGRAMME

Proposal

1. This paper is for your information only. It is about the operation of the FernMark Licence Programme (the Fernmark) since 2015. Issues in 2015 included the take-up of the FernMark and the systems protecting it from misuse and counterfeiting.
2. I consider that the FernMark is providing effective country of origin authentication for New Zealand export businesses and that there is no need for further reports to Cabinet. New Zealand Trade and Enterprise (NZTE) officials will continue to manage and monitor the finances of the FernMark and will advise me of any issues.

Background

3. The FernMark is a registered trademark registered under the New Zealand Way Limited. It was formalised as a visual identity for New Zealand in the early 1990s and has been operated by NZTE since 2002.
4. The FernMark provides country of origin authentication for New Zealand export businesses. It is a proxy for safety, trust and quality, which is increasingly sought by global consumers.
5. The Cabinet Economic Growth and Infrastructure Committee considered the FernMark in 2015. At that time, business demand for use of the FernMark was increasing and a high level of counterfeiting and contestability was occurring. The Boards of the New Zealand Way Limited and NZTE had suspended issuing FernMark licences.
6. Cabinet agreed that the FernMark would be relaunched under management by the New Zealand Story Group (NZ Story). It also agreed to new licence criteria and trademark management and audit processes to protect the use of the FernMark.
7. The Cabinet Economic Growth and Infrastructure Committee (EGI Min 15 (4/1)) invited the former Minister for Economic Development to update the Committee on progress of the implementation of the FernMark by the end of December 2016.
8. The actions agreed by Cabinet for the FernMark were carried out and updates provided to the former Minister for Economic Development. However, a report back to Cabinet was not provided. The Cabinet Economic Development Committee

agreed that a report should be provided on the operation and development of the FernMark by NZ Story by 31 December 2018.

Relaunch of the FernMark Licensing Programme

9. Ministers and NZTE agreed that NZ Story was best placed to manage the FernMark to leverage the brand to raise awareness of New Zealand products and services in overseas markets.
10. NZ Story was created in 2013 to support export earnings growth by creating one compelling and consistent story for New Zealand's global audiences. It is funded through contributions by the departments and Crown entities that make up its Advisory Board. These agencies are the Ministry of Foreign Affairs and Trade, the Ministry for Primary Industries, New Zealand Trade and Enterprise, Education New Zealand, Tourism New Zealand, and Te Puni Kōkiri.
11. The 2015 Cabinet paper outlined NZ Story's proposals for managing the FernMark. These proposals included relaunching the FernMark as the "essence of New Zealand", and licence criteria for its use by product or service rather than by company. Trademark management and audit processes were proposed to protect the use of the FernMark in markets.
12. The current operation of the FernMark under the management of the NZ Story, since the 2015 relaunch, is set out in the following sections.

Promoting the FernMark as the "essence of New Zealand"

13. The FernMark is promoted in New Zealand through communications and direct selling via NZTE and NZ Story workshops.
14. An advertising campaign was launched to increase awareness of the FernMark in October 2017 (Appendix 1 provides examples). This campaign was supported by direct marketing in February 2018.
15. Throughout 2017/18 inspiring export stories from less-known New Zealand businesses were profiled in Air New Zealand's inflight Kia Ora magazine (Appendix 2 provides examples).

Licence criteria for use of the FernMark

16. NZ Story is delegated to manage all Fernmark licensing agreements, including agreements with government departments, Ambassador Licenses (Air New Zealand and Rocket Lab), and any sub-licensing agreements. The FernMark trademark is registered in all 45 classes of goods and services in New Zealand and various classes of goods and services in 13 other countries.
17. To use the FernMark for products/services for which licences are sought, businesses must demonstrate an inherent connection to New Zealand and achieve a minimum criteria score. Criteria include that businesses must:
 1. have a substantial level of New Zealand ownership, governance, and full-time employees

2. be of good character and repute, be GST registered, and compliant with all New Zealand laws and relevant regulations
 3. have been exporting for a minimum of 12 months and confirm that each product/service to be licensed meets the minimum requirements for being made, grown or designed in New Zealand.
18. Further criteria were added in September 2018 to allow coalitions of New Zealand companies to obtain a licence. This licence gives a collective country of origin mark for wider marketing, but not a product. The Hui Māori Collective is the first example.

Protecting the FernMark

19. All applications are audited by the NZ Story's FernMark team. The team checks the application information with the New Zealand Companies Office and the status of related intellectual property with the Intellectual Property Office of New Zealand. If the applicant is a customer of NZTE, reference checks are made with NZTE staff.
20. Any product application in the food and beverage sector is audited by the Ministry for Primary Industries. This audit confirms that a risk management programme and export licence are in place and there are no known investigations into the applicant.
21. Every successful licensee is issued with a certificate authorising use of the FernMark logo and a unique licence number. Licensees have access to a marketing toolkit that provides guidance on the use and communication of the FernMark to stakeholders, distributors and consumers.
22. Annual audits are performed to ensure each licensee is meeting the FernMark's eligibility criteria. The FernMark has a 92% renewal rate. Those who do not renew generally have valid commercial reasons for not doing so.
23. Ongoing protection against trademark infringement is provided by A J Park. It identifies identical or similar trademark applications/registrations in New Zealand and overseas. Over 35 cease and desist communications have been issued over the last three years on behalf of the New Zealand Way Limited, with 100 per cent success.
24. Online global brand monitoring for unlicensed use of the FernMark is provided by Yellow Brand Protection. It monitors over 1000 online global marketplaces for product listings using unauthorised or infringing versions of the FernMark. In the past 12 months, 202 listings have been removed.

Consultation

25. The Ministry of Foreign Affairs and Trade, the Ministry for Primary Industries, New Zealand Trade and Enterprise, Education New Zealand, Tourism New Zealand, and Te Puni Kōkiri have been consulted through the New Zealand Story Advisory Board. Representatives of these agencies make up the NZ Story's Board.

Financial Implications

26. The FernMark was set up with the intention that annual licence fee revenue would cover its operating costs. However, it is not cost-neutral as licence fees do not cover

the FernMark's full promotion and staffing costs. Annual licence fee revenue is \$0.3 million, 47 per cent of the FernMark's \$0.64 million annual operating costs. The \$0.34 million shortfall is covered by NZ Story. It is forecast to be 10 per cent of NZ Story's total operating budget in 2019/20.

27. Following lower-than-expected licence uptake in 2017/18, the NZ Story Advisory Board reviewed the financial operations of the FernMark to consider how to improve long-term revenue. The Board agreed more promotion should be carried out to raise awareness of the FernMark. It also agreed that licence fees should be reduced to encourage more applications from entry-level businesses.
28. If increased revenue does not result from these decisions, promotion activity may be impacted and other NZ Story activity may be constrained.

Other Implications

29. This paper has no human rights, disability, gender, legislative or regulatory or implications.

Publicity

30. No publicity is planned and it is unlikely that this paper will create any publicity or public interest.

Proactive Release

31. I propose to release this paper proactively.

Recommendations

32. I recommend that the Committee:

1. **Note** that, under the management of NZ Story, the FernMark is providing effective country of origin authentication for New Zealand export businesses.

Authorised for lodgement

Hon David Parker
Minister for Economic Development
Minister for Trade and Export Growth

___/___/2018

Appendix 1 Advertising Campaign Examples

YOUR WORLD CLASS PRODUCTS. OUR WORLD CLASS REPUTATION.

When your export product carries the silver fern logo, the FernMark, your business benefits from the instant connection to New Zealand's outstanding global reputation. The FernMark enhances offshore credibility and the trust consumer's feel for an authentic product that's earned the government tick of approval.

And as a registered trademark, the FernMark is constantly monitored around the world, so you can be sure that everything that carries the FernMark lives up to our world-class reputation and your world-class products.

FERNMARK PROMOTES YOU & FERNMARK CONNECTS YOU & FERNMARK PROTECTS YOU



To see if your business can earn the fern, visit: nzstory.govt.nz/fermark



PROACTIVELY RELEASED

WANT TO SELL BIG OVERSEAS? PUT SOMETHING SMALL ON YOUR LABEL.

When your export product carries the silver fern logo, the FernMark, your business benefits from an instant connection to New Zealand's outstanding global reputation. The FernMark enhances offshore credibility and builds consumer trust for authentic products that have earned the government's tick of approval.

And as a registered trademark, the FernMark is constantly monitored around the world, so you can be sure everything that carries the FernMark can leverage our big reputation for only a small investment.

FERNMARK PROMOTES YOU & FERNMARK CONNECTS YOU & FERNMARK PROTECTS YOU



To see if your business can earn the fern, visit: nzstory.govt.nz/fermark



YOUR GLOBAL AMBITIONS. OUR GLOBAL CREDIBILITY.

When your export product carries the silver fern logo, the FernMark, your business benefits from the instant connection to New Zealand's outstanding global reputation. The FernMark enhances offshore credibility and the trust consumer's have for an authentic product that's earned the governments tick of approval.

And as a registered trademark, the FernMark is constantly monitored around the world, so you can be sure that everything that carries the FernMark lives up to our world-class reputation.

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REACHING
FOR THE SKY

Kiwi
businesses
taking on
the world



POOCH PERFECT

KIWI COMPANY,
K9 NATURAL, HITS
HIGH NOTE WITH
PETS WORLDWIDE



TALKING POINTS

1. The company was founded after observing what wolves eat in the wild: meat.
2. A popular K9 product is green tripe, made from the half-digested contents of a lamb or cow's stomach (seriously, it's delicious).
3. K9's product is sourced from the human-grade meat that's processed in the central North Island.
4. The pet food industry is big: \$US75 billion and growing fast at 4.8% year-on-year.
5. China and the US have a huge appetite for K9 Natural's grain-free diet, with sales set to double.

5 things
you may not
know about
K9 Natural

In downtown Seattle, on a bright spring day, hundreds of dog owners have brought their pets to Bone Appetit, a café hosted by one of Seattle's most famous chefs, John Lark.

On the menu, grass-fed New Zealand beef and lamb, supplemented with green lipped mussel, egg and bone powder. Mmmmm bone powder.

The latest in carb-free diets? A new dog-friendly restaurant? Yes, both.

Held in Seattle, Sydney and Auckland, the pop-up café is the brainchild of Christchurch natural pet food company K9 Natural. And it's been a hit: dogs go crazy for the food and the owners are literally bowled over.

"You see these dogs just about ripping their owners' arms off trying to get the food, and people go, 'My goodness. I'm actually making great diet decisions for the two-legged members of the household, but I'm not even considering it for the four-legged ones,'" says chief executive Neil Hinton.

In a market dominated by multinationals, with carbohydrate-based diets, K9 Natural is the feisty challenger from downunder. Its grain-free high meat diet is not only scientifically proven, it's a lesson in business disruption. The company was founded when police

"AS A NATION WE'RE SEEN AS GOOD-HUMORED, WE'RE ALSO KNOWN FOR STANDING UP FOR WHAT IS RIGHT. THAT'S WHAT K9 NATURAL IS DOING."

NEIL HINTON, CEO, K9 NATURAL

dog-handler, Geoff Bowers, was frustrated that dogs were being fed largely carbs – yet they are wired to be carnivores. Bowers began producing frozen and freeze-dried meat alternatives and the company grew fast, twice being included in the Deloitte Fast50 and winning support from local investors.

It's now exporting to over 25 countries and has expanded its range to include cat food, canned food and 'toppers' – small servings that help transition pets from carbs to meat. The company expects to double in revenue every three years. 'New Zealandness' plays a critical role. The famous clean, green image resonates with K9's ideal customer: the yoga mom. These pet lovers, found all over the world but especially in China and the US, lavish affection on their fur babies.

"For these people, the purity of New Zealand really appeals. Our reputation for grass-fed, ethically sourced meat is a powerful way to connect," says Head of Marketing Jo O'Sullivan.

"But it's not just our land. It's our Kiwi attitude too – we're having fun and giving it a real go. People love that. All of that New Zealandness is the underpinning of our brand; it sets us apart overseas."

New Zealand has never tasted so good.



Flying the flag

K9 Natural is proud to carry the FernMark on its packaging. "There's real pride in the silver fern. It symbolises the Kiwi spirit. And in Asia, with food safety such an issue, they see it as a sign of authenticity," says Jo O'Sullivan, Head of Marketing for K9 Natural.



New Zealand Story Group offers a range of services to support New Zealand businesses taking on the world; workshops, video production, imagery, research and the FernMark Licence Programme. Visit nzstory.govt.nz for more information.

REACHING
FOR THE SKY

Kiwi
businesses
taking on
the world



INSIDE RUNNING

THOUSANDS OF CARS
ARE CARRYING A BIT OF
KIWI CLEVERNESS



Five facts about Link Engine Management

TALKING POINTS

1. 85% of Link's sales are offshore
2. Biggest markets: UK, US, Japan, Malaysia and Australia. Smallest: Iceland, Madagascar and Guatemala
3. US enthusiasts spend US \$381m on ECUs annually
4. Link has 12 'Master Tuners' worldwide who collaborate to create new products
5. Link will spend \$1m on R&D this year

From the country that brought you Bruce McLaren and Burt Munro comes this: a box.

Well, okay, not just an ordinary box. It's a hi-tech box, or an Engine Control Unit (ECU), that transforms ordinary production vehicles into high-performance race cars.

Produced by Christchurch company Link Engine Management, ECUs are a hit worldwide, with serious amateurs who souped up their street cars, and with professionals, such as the leading teams in the US, British and China drift championships. In fact, they're shipped to 1400 loyal customers in 65 countries, as far afield as Iceland and Guatemala.

What the fans are buying is software that controls every element of an engine, such as the power output, traction control and the gearbox. "Our systems can change gears within a hundredth of a second of the driver touching the lever," says chief executive Andy Millard.

Like so many Kiwi motorheads, company founder Phillip Royds and his mates started Link in a run-down workshop. The emergence of fuel-injected cars in the 1980s meant messing around with engines was fast becoming an electronics speciality. In 1992 the university students developed a plug-in module that overrode

the cars' control unit - unlocking the potential for endless tinkering.

They started selling the alloy-encased, magic boxes to their mates but things really grew when Kiwi rally legend Possum Boume hunted the boys down. In short order, PossumLink was born and the ECUs were adopted in rally circles.

Now, Link's ECUs are inside the engines of drift cars, racing boats, jet skis, snow mobiles - even military drones - and shipped all over the world. Link has doubled sales in the last two years.

Being Kiwi has helped. "When people hear we're from New Zealand they say 'of course you're good.' This is the country of Bruce McLaren, Denny Hulme, Scott Dixon and Hayden Paddon. We've got heritage in motorsport," says Andy.

And a reputation for quality. Less than 0.25% of total production ever invoke warranty issues. Which is useful when you're a mechanic in Madagascar or Trinidad. "Coming from a small place, we understand the need to be resilient. We have to be a lot more adaptable, a lot more accepting, a lot more willing to give something a crack, than our US or British competitors."

Sometimes distance has its advantages.

"BEING FROM NEW ZEALAND TENDS TO PUSH US HARDER. WHEN WE TURN UP OVERSEAS, PEOPLE SAY 'THAT'S AWESOME - YOU'RE MILES AHEAD OF YOUR COMPETITORS.' THAT'S PRETTY SATISFYING."

ANDY MILLARD, CEO, LINK ENGINE MANAGEMENT

Flying the flag

"Our customers see the FernMark as a symbol of superior manufacturing, high standards and innovation. It captures what's inherent in the New Zealand brand," says Link CEO Andy Millard.



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